

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-02 SS-15 NSC-05 /051 W

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P 251648Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0537

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - PANAM'S COMMISSION SYSTEM FOR SALES AGENTS

REF: LONDON 5927

1. DEPARTMENT OF TRADE HAS NOW GIVEN PANAM OFFICIAL NOTICE THAT TRADE SECRETARY IS CONSIDERING AMENDMENT OF PANAM'S OPERATING PERMIT WHICH WOULD RESTRICT LEVELS OF AGENCY COMMISSION ON ALL SERVICES TO AND FROM UK AND ITS TERRITORIES TO THOSE SET OUT IN IATA RESOLUTION 820(A). PANAM IS INVITED MAKE REPRESENTATION OR PRODUCE EVIDENCE CONCERNING THIS UK PROPOSAL BEFORE APRIL 30, AFTER WHICH DATE TRADE SECRETARY WILL DECIDE ON POSSIBLE VARIATION OF PERMIT. CARRIER IS FURTHER ADVISED THAT IT CAN STILL AVOID PROBLEM BY GIVING ASSURANCE THAT IT WILL REMIT ONLY IATA STANDARD LEVELS OF AGENCY COMMISSION OR BY PROPOSING SOME ALTERNATIVE ASSURANCE THAT WOULD SATISFY UK AUTHORITIES IN THIS MATTER. WE UNDERSTAND PANAM'S UK MANAGER IS DISCUSSING SITUATION WITH CARRIER'S BRITISH ATTORNEYS AFTERNOON APRIL 25.

2. UK AUTHORITIES TAKE POSITION THAT AGENCY COMMISSIONS FORM PART OF BASIC TARIFF AND THAT PANAM, BY CHANGING ONE OF THE CONSTITUENT ELEMENTS OF ITS TARIFF, HAS DEPARTED FROM TARIFF WHICH HAS BEEN APPROVED BY UKG AND IS APPLYING, IN EFFECT, A NEW, UNAPPROVED TARIFF. THIS IS BASIS UPON WHICH UK CONSIDERS IT CAN TAKE ACTION AGAINST CARRIER.

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RIER WITHOUT REQUIREMENT FOR CONSULTATIONS UNDER US/UK

AGREEMENT.

3. WE UNDERSTAND IATA MEETINGS HAVE THUS FAR FAILED TO RESOLVE PROBLEM AND THAT SOME CARRIERS HAVE PETITIONED IATA DIRECTOR-GENERAL TO FREE THEM FROM OBSERVANCE OF IATA COMMISSION RESOLUTION TO MEET COMPETITION FROM PANAM MOVE. IATA DG EXPECTED TO GRANT PETITION WITHIN DAY OR TWO. IF PETITION APPROVED, BRITISH AIRWAYS AND OTHER CARRIERS SERVING UK COULD, WITHIN IATA'S TERMS, MATCH OR EVEN GO BEYOND PANAM'S AGENCY COMMISSION PLAN. HOWEVER, BRITISH AIRWAYS HAS NO WISH TO DO THIS, AT LEAST IN UK MARKET ALTHOUGH IT MAY BE FORCED AS COMPETITIVE REACTION TO MATCH PANAM'S COMMISSION PLAN IN FIFTH FREEDOM MARKETS. UKG ALSO ANXIOUS TO AVOID COMMISSION "PRICE WAR" AND IT IS FOR THIS REASON THAT IT IS THREATENING TOUGH ACTION TO PREVENT PANAM FROM IMPLEMENTING ITS AGENCY COMMISSION PLAN.

4. IF USG IS TO INTERVENE IN THIS PROBLEM, WE WILL NEED INSTRUCTIONS AND ARGUMENTATION BEFORE APRIL 30.

RICHARDSON

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